



Department
of Health &
Social Care

By email only:

Sue Jacques, Nicola Lee

Co-chairs

NHS Pension Scheme Advisory Board

T 0113 254 6911

E tim.sands@dhsc.gov.uk

www.gov.uk/dhsc

30 January 2019

Dear Sue and Nicola,

2016 Valuation of the NHS Pension Scheme

Thank you for your letter dated 8 November 2018 in which you set out the Scheme Advisory Board's advice to the Secretary of State on scheme adjustments to rectify the cost cap breach. Ministers are grateful for the thoughtful and constructive approach that SAB have taken, and the responsiveness of SAB members in developing your advice at pace.

I recognise that whilst the SAB has been ready to enter into further discussions, the Department has not yet been in a position to engage with you on your proposals. As you will be aware, the Court of Appeal has handed down judgment in the cases of *McCloud & Sargeant* on 20 December 2018. The judgment has implications for the value of member benefits accrued since 1 April 2015.

The Government is seeking permission to appeal this judgment to the Supreme Court. Whilst the legal process is ongoing, the substantial impact of the judgment means that it is impossible to assess with certainty the value of current public service pension arrangements. The Treasury has today announced in a Written Ministerial Statement that it intends to pause the cost cap mechanism element of scheme valuations pending the final outcome of the appeal. A copy of the Statement accompanies this letter.

The Statement sets out that if the Government is successful in Court, the cost cap process will resume and discussions with SAB on rectification proposals can proceed. Scheme improvements would be implemented from 1 April 2019 as envisaged. If the Government is unsuccessful, steps will need to be taken to compensate members who were transferred to the new schemes.

The Treasury confirm that the rest of the valuation process will continue, and the new employer rate planned for 1 April 2019 should go ahead. This to meet the increased costs of pension benefits arising from the SCAPE discount rate change announced at Budget 2018 and the scheme improvements necessary to rectify a cost cap breach or settlement of the *McCloud* judgment. It remains the case that the Treasury will provide additional funding to meet the costs to the NHS arising from the valuation. Work is ongoing to ensure the additional cost to participating employers is appropriately funded. The Department is discussing with NHS England and NHS Improvement the best way of distributing this funding to NHS commissioners and service providers.

I note that the next meeting of SAB is scheduled for 13 March, at which I would of course be happy to further discuss the position and next steps. The meeting is well-timed, as it is likely to be after the point at which Government learns whether permission to appeal the judgment has been granted.

Yours sincerely,

A handwritten signature in black ink that reads "Tim Sands". The signature is written in a cursive, slightly slanted style.

Tim Sands

Deputy Director, Pay, Pensions and Employment Services